

FILED

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF SOUTH CAROLINA

2002 JUL 24 PM 3: 59

IN RE:)
) CHAPTER 11
Palmetto Linen Services, Inc.,)
) Case No. 01-11527-B
)
)
Debtor.)

U.S. BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA
WV

TO: ALL CREDITORS AND PARTIES IN INTEREST

**NOTICE AND APPLICATION FOR SALE OF PROPERTY FREE AND CLEAR OF LIENS,
ENCUMBRANCES AND OTHER INTERESTS PURSUANT TO 11 U.S.C. §363(b)(1) and (f)**

YOU ARE HEREBY NOTIFIED that the Debtor seeks court authorization to sell certain assets free and clear of all liens, encumbrances, and interests in accordance with 11 U.S.C. §363(b)(1) and (f). A draft copy of the Purchase and Sale Agreement ("Agreement") is attached hereto. Upon Court approval, the parties will execute an agreement substantially similar to the attached.

TAKE FURTHER NOTICE that any response, return and/or objection to this notice and application should be filed with the Clerk of the Bankruptcy Court no later than **twenty (20) days** from the date of service. A copy of the response, return, or objection, should be served on all parties in interest.

TAKE FURTHER NOTICE that no hearing will be held on this notice unless a response, return and/or objection is timely filed and served, in which case, the Court will conduct a hearing on **August 19, 2002, at 9:00 a.m.**, at the J. Bratton Davis United States Bankruptcy Courthouse, 1100 Laurel Street, Columbia, South Carolina 29201. No further notice of this hearing will be given.

TYPE OF SALE: Private. If competing bids are made pursuant to the Bidding Instructions herein, a public auction will be conducted at the hearing date set forth above.

PROPERTY TO BE SOLD AND SUMMARY OF TERMS OF THE SALE: Debtor proposes to sell its land, buildings, machinery and equipment, and inventory for \$1,590,000, and accounts receivable in an uncertain amount based upon collections ("Assets"). Debtor's bankruptcy schedules set forth a listing of Debtor's equipment to be sold (which will be updated as necessary and attached as a schedule to the Agreement at closing).

Assets excluded from this sale include the Debtor's real property which is rented to Cappi's Cleaners, along with the dry-cleaning equipment located at Cappi's, and Debtor's pending lawsuits set forth in the schedules (all of which will be updated as necessary and attached as a schedule to the Agreement at closing).

Separately, Buyer will collect Debtor's accounts receivable and will remit 95% of those collected amounts to the Debtor which may create a maximum of \$95,000 for the estate. In addition, Buyer will pay John Capotosti, the principal stockholder of the Debtor, \$60,000 (\$30,000 at closing and the remaining \$30,000 over 12 months) in exchange for a five-year non-compete agreement.

Conditions Precedent to Closing:

There are various conditions precedent to closing, as set forth in Sections 6.01 through 6.09 of the Agreement. The most prominent condition precedent is as follows:

- 6.06 Assignment of Contracts. [Debtor] shall have delivered to [Buyer] a written consent or assurance executed by each party to each of the contracts listed on Schedule 6.06 to (i) the assignment of such contracts from [Debtor] to [Buyer] and (ii) the continued performance of the [Debtor's] obligations under such contracts by [Buyer]. Any written consent or assurance delivered by [Debtor] to [Buyer] under this Section 6.06 shall be in a form acceptable to [Buyer] and its legal counsel.

Please see the attached Agreement for complete details of the sale.

SALES PRICE: \$1,590,000, plus an uncertain amount based upon the collection of accounts receivable.

Any party may make a competing bid, but bids must be made pursuant to certain bidding procedures as set forth more fully below in the Bidding Procedures section of this notice.

APPRAISED VALUE: Debtor has no appraisal of the Assets.

BUYER: Angelica Textile Services, Inc. (the "Buyer"). The Buyer has no connection with the Debtor. Buyer's counsel is G. William McCarthy, Jr., P.O. Box 12287, Columbia, South Carolina 29211-2287.

PLACE AND TIME OF SALE: Closing will take place at a time and location mutually desirable by the Debtor and Buyer on or before August 31, 2002.

SALES AGENT/AUCTIONEER/BROKER: N/A

COMPENSATION TO SALES AGENT/AUCTIONEER/BROKER: N/A

ESTIMATED TRUSTEE'S COMMISSION ON SALE: N/A

LIENS/MORTGAGES/SECURITY INTERESTS ENCUMBERING PROPERTY: The following entities assert a security interest and lien on the property being sold:

- A. First Union -\$1,250,000.00 (mortgage)
- B. The Internal Revenue Service - \$270,736.38 (tax lien)
- C. South Carolina Department of Revenue - \$64,042.56 (tax lien)
- D. Susan P. Covelli - \$255,994.26 (judgment-undersecured)
- E. PDQ Textiles, Inc. - \$30,086.00 (judgment-undersecured)

DEBTOR'S EXEMPTION: None.

PROCEEDS ESTIMATED TO BE PAID TO ESTATE: Debtor has agreed to an irrevocable 3% carve-out for unsecured creditors, \$35,171.00, which will be held by George G. Reaves, attorney for the Debtor, pending confirmation of Debtor's Plan of Reorganization. Debtor proposes to distribute the net proceeds as follows:

1. First Union -\$1,100,000.00
2. Peoples Federal Savings & Loan - 0.00 (this creditor's lien attaches to certain property which is not part of this sale)
3. The Internal Revenue Service - \$270,736.38
4. South Carolina Department of Revenue - \$64,442.56
5. United States Trustee Fees - \$5,000
6. Professional Fees and Expenses of Debtor's counsel - \$10,000.00 est.
7. The Internal Revenue Service (Admin) - \$29,838.00
8. The Internal Revenue Service (Priority) - \$56,983.69
9. South Carolina Department of Revenue (Priority) - \$17,827.50
10. Unsecured Creditors, including Susan P. Covelli and PDQ Textiles - \$35,171.87
plus an uncertain amount of accounts receivable collected

BIDDING PROCEDURES:

Any party that desires to make a competing offer for the Assets at the hearing on the Sale Motion must pre-qualify in the following manner:

- (1) **Any entity that desires to make a competing bid for Assets must submit to the Debtor's attorney and Counsel for Buyer, by no later than August 12, 2002 a written offer in an amount not less than \$1,615,000 and a good faith deposit of \$50,000, in the form of a cashier's check.** This deposit shall be held in trust by the Debtor's attorney. Any entity complying with this requirement will be deemed a "Qualified Bidder". The competing bid must contain terms and conditions substantially similar to the Purchase and Sale Agreement.

At the hearing on this notice and application, Debtor shall announce the Qualified Bidders for the Assets. If the Buyer is the only Qualified Bidder for the Assets, then the Debtor will seek the Court's approval of the sale of the Assets to the Buyer at the hearing. If there is more than one Qualified Bidder for the Assets, then an auction will be conducted at the hearing on the Sale Motion. The sale of the Assets shall be an all cash transaction with full cash payment at the time of closing.

- (2) At the auction, all Qualified Bidders (including the Buyer) will have an opportunity to bid on the Assets. The minimum initial overbid for the Assets shall be in an amount that is not less than \$25,000 more than the Buyer's \$1,590,000 offer. Bidding shall continue in \$25,000 increments.
- (3) At the auction, the Debtor may select, after consulting with counsel, the bid that the Debtor, in its sole business judgment, determines to be the highest and best bid for the Assets, and will request Court approval of same.
- (4) All Deposits of Qualified Bidders will be held in trust by Debtor's attorney. For those Qualified Bidders who are not the successful bidders, the Debtor will promptly repay the Deposit. The Deposit of the successful bidder shall become non-refundable and shall be applied to the purchase price of the Assets.

- (5) Debtor will request the Court to approve a "back up" bid, if one is received. This "back-up" bid will be consummated by the parties without the necessity of obtaining another order from this Court if the successful bidder is unable to close within a reasonable period of time after the Court enters its order approving the sale of the Assets.


If the successful bidder is not the Buyer, all or part of the Assets which are the subject of the Agreement are sold to an entity other than the Buyer, or for any other reason the Agreement is not ultimately approved by the Bankruptcy Court, but the assets are sold to a third party for an amount greater than Buyer's offer, the Debtor will reimburse Buyer's reasonable expenses in an amount not to exceed \$50,000, subject to Court approval.

Debtor is informed and believes that it would be in the best interest of the estate to sell said property by private sale.

The court may consider additional offers at any hearing held on this notice and application for sale. The court may order at any hearing that the property be sold to another party on equivalent or more favorable terms.

The Debtor may seek appropriate sanctions or other similar relief against any party filing a spurious objection to this notice.

Service Date: July 23, 2002



George G. Reaves, I.D. 3223
P.O. Box 5012
Florence, SC 29502
(843) 662-0211
Attorney for the Debtor

Address of Court
J. Bratton Davis United States Bankruptcy Courthouse
P.O. Box 1448
Columbia, SC 29202

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PURCHASE AND SALE AGREEMENT

by and among

PALMETTO LINEN SERVICE, INC.,

JOHN CAPOTOSTI,

_____ CAPOTOSTI

and

ANGELICA TEXTILE SERVICES, INC.

_____, 2002

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into this ____ day of _____, 2002, by and among PALMETTO LINEN SERVICES, INC., a South Carolina corporation, debtor-in-possession ("Seller"), JOHN CAPOTOSTI, the principal stockholder of Seller, and _____ CAPOTOSTI (his wife) (collectively, the "Stockholder") and ANGELICA TEXTILE SERVICES, INC., a New York corporation ("Angelica").

WITNESSETH:

WHEREAS, Seller is now and has been engaged in the linen supply and commercial laundry business (as defined below) serving customers from its facility located at 1413 W. Darlington Street, Florence, South Carolina 29503 (the "Facility"); and

WHEREAS, on October 31, 2001, Seller filed for protection from its creditors pursuant to Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330 (the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of South Carolina (the "Bankruptcy Court") as In re Palmetto Linen Services, Inc., Case No. 01-11527-B; and

WHEREAS, Seller has remained in possession of its assets and continued in the management and operation of its business pursuant to Sections 1107 and 1108 of the Bankruptcy Code; and

WHEREAS, Seller will file a motion with the Bankruptcy Court seeking approval to sell the Purchased Assets (as defined in Section 1.01 below) free and clear of liens, encumbrances and claims pursuant to 11 U.S.C. § 363 (the "Sale Motion"); and

WHEREAS, Angelica, Seller and Stockholder have reached an agreement pursuant to which Angelica will purchase from Seller certain assets used in the conduct of the linen supply and commercial laundry business conducted by Seller with respect to the Covered Accounts, as defined herein (said business collectively referred to herein as the "Business"), in accordance with the terms and conditions set forth below.

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements contained herein, it is hereby agreed as follows:

I.

PURCHASE AND SALE

1.1 Purchased Assets. Subject to the terms and conditions set forth hereinbelow, Angelica

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hereby agrees to purchase from Seller, and Seller hereby agrees to sell, transfer, assign, and convey unto Angelica, all of the assets, real, personal or mixed, tangible and intangible, of every kind and description, wherever located, belonging to Seller and which relate to, or which are otherwise used by Seller in the conduct of, the Business, including, without limiting the generality of the foregoing, the following but excluding the "Excluded Assets" (as defined in Section 1.02, below) (collectively, the "Purchased Assets"):

- (a) all customer lists and customer contracts, whether written or oral, pertaining to the customers of Seller as listed on Schedule 1.01(a), as such Schedule will be updated by Seller as of the Closing Date, to reflect discontinued, terminated and new customers since the date hereof, and all customers files and route books related thereto (the customers of Seller listed on Schedule 1.01(a) as such Schedule will be updated, herein referred to as the "Covered Accounts");
- (b) all linens, uniforms, mats, mops, towels, and other rental items, along with laundry bags and tie covers (collectively, "merchandise") which are in used condition as of the Closing Date;
- (c) all new merchandise which Angelica determines in its sole discretion is reasonably necessary to service the Covered Accounts as of the Closing Date and all items available for direct sale to the Covered Accounts as of the Closing Date;
- (d) all inventories of Seller, wherever located, including all spare parts, tools, office supplies, printed forms and literature and other materials and supplies of whatever nature to be used by or consumed by Seller in connection with the Business;
- (e) all furniture, machinery and equipment;
- (f) all rolling stock, including, without limitation, hampers, carts, and buggies;
- (g) the vehicles listed on Schedule 1.01(g) (the "Vehicles");
- (h) all contracts, leases, licenses and other agreements, oral and written, including those listed on or described in Schedule 1.01(h) and all outstanding offers or solicitations made by or to Seller to enter into any contract (collectively, "Contracts and Other Agreements");
- (i) all restrictive covenant agreements with employees and former employees involved in the Business;
- (j) all licenses, consents, permits, variances, certifications, and approvals of governmental agencies which are transferable;

- (k) the real property described on Schedule 1.01(k) (the "Real Property");
- (l) the trade accounts receivable and other rights to payments from customers of Seller listed on Schedule 1.01(l) ("Accounts Receivable"), which Schedule shall be acceptable to Angelica and updated as of the close of business on the day immediately preceding the Closing Date;
- (m) all claims of Seller against third parties relating to the Purchased Assets whether known or unknown, contingent or noncontingent;
- (n) all rights of Seller relating to deposits and prepaid expenses, claims for refunds and rights to offset in respect thereof;
- (o) all data, records and files relating to the operation of the Business;
- (p) all trade names, business and product names, slogans and registrations and applications for registration thereof; and
- (q) all other properties and assets of every kind, character and description, tangible or intangible, owned by Seller and used or held for use in connection with the Business, whether or not similar to the items separately set forth above.

1.2 Excluded Assets. Notwithstanding anything to the contrary contained in Section 1.01 or elsewhere in this Agreement, the assets listed or described on Schedule 1.02 (the "Excluded Assets") shall be excluded from the Purchased Assets to be transferred to Angelica hereunder.

1.3 Closing. The closing of the purchase and sale contemplated hereby (the "Closing") shall be held at _____ on _____, 2002 at _____ or at such other date, time, or place as the parties may mutually agree (the date of the Closing being referred to herein as the "Closing Date") and shall be effective as of the opening of business on the Closing Date.

1.4 Delivery of Possession and Documents.

- (a) At the Closing, Seller will deliver to Angelica:
 - (i) possession of the Purchased Assets;
 - (ii) a bill of sale in a form reasonably acceptable to Angelica and its legal counsel;
 - (iii) appropriate and properly executed instruments of transfer of the Real Property including a general warranty deed in a form reasonably acceptable to Angelica and its legal counsel;

- (iv) assignments of certificates of title to the Vehicles;
 - (v) the Certificate of Seller described in Section 6.05 hereof;
 - (vi) updated schedules as required by the terms of this Agreement;
 - (vii) all consents and assurances described in Section 6.06;
 - (viii) such other deeds, bills of sale, assignments, certificates of title, documents and other instruments of transfer and conveyance as may be requested by Angelica, each in a form reasonably acceptable to Angelica and its legal counsel;
 - (ix) a noncompetition agreement substantially in the form attached hereto as Exhibit A, executed by John Capotosti (the "Noncompetition Agreement");
 - (x) a certificate of Seller, dated as of the Closing Date and sworn to under penalty of perjury, setting forth the name, address and federal tax identification number of Seller and stating that Seller is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended, such certificate to be in the form set forth in the Treasury Regulations thereunder; and
 - (xi) a copy of all approvals, orders and other instruments of the Bankruptcy Court approving the Sale Motion and authorizing and directing Seller to enter into this Agreement as may be requested by Angelica, each in a form reasonably acceptable to Angelica and its legal counsel.
- (b) At the Closing, Angelica will deliver to Seller:
- (i) the Purchase Price as set forth in Section 2.01 hereof;
 - (ii) assumption of the liabilities and obligations of Seller described in Section 2.04 hereof in a form reasonably acceptable to Seller;
 - (iii) the certificate of Angelica described in Section 7.04 hereof; and
 - (iv) the Noncompetition Agreement executed by Angelica.

II.

PURCHASE PRICE AND ASSUMED LIABILITIES

2.1 Purchase Price. For and in consideration of the Purchased Assets, Angelica agrees to (i) pay to Seller One Million Five Hundred Ninety Thousand Dollars (\$1,590,000.00) (the "Purchase Price"), (ii) pay to Seller the Accounts Receivable Amount (as defined in Section 2.03), and (iii) assume the Assumed Liabilities (as defined in Section 2.05, below).

2.2 Payment of the Purchase Price. Subject to the terms and conditions of this Agreement, Angelica shall pay the Purchase Price as follows:

(a) At the Closing, Angelica shall deliver to _____ One Million Four Hundred Thirty One Thousand Dollars (\$1,431,000.00) by wire transfer to an account specified by _____ in writing delivered to Angelica at least three (3) business days prior to the Closing Date; and

(b) On the date that is [One Hundred Twenty (120)] days following the Closing Date, Angelica shall deliver to _____ One Hundred Fifty Nine Thousand Dollars (\$159,000.00) subject to adjustment pursuant to Section 10.3, by wire transfer to an account specified by _____ in writing delivered to Angelica at least three (3) business days prior to such date.

2.3 Payment of Accounts Receivable Amount. At the Closing, Angelica shall pay to _____ an amount equal to ninety-five percent (95%) of the Accounts Receivable as calculated and set forth on Schedule 2.03 (the "Accounts Receivable Amount"), which schedule shall be acceptable to Angelica and updated by Seller as of the Closing Date. Any payment made pursuant to this Section 2.03 shall be made by Angelica by wire transfer to an account specified by _____ in writing delivered to Angelica at least three (3) business days prior to the Closing Date.

2.4 Allocation of Purchase Price. The parties agree that the Purchase Price shall be allocated to the Purchased Assets in accordance with Schedule 2.04. No party shall file any return or take a position with any taxing authority that is inconsistent with the allocation agreed to herein.

2.5 Assumption of Liabilities. Angelica will assume as of the Closing Date and will perform thereafter all of Seller's obligations arising on or after the Closing Date described on Schedule 2.05 and all liabilities and obligations arising after the Closing Date with respect to the leases, contracts and other agreements described in Section 1.01(h) of this Agreement (the "Assumed Liabilities") but not including any obligation or liability for any breach thereof occurring prior to the Closing Date.

2.6 Excluded Liabilities. Notwithstanding the provisions of Section 2.05 or any other provision hereof or any schedule or exhibit hereto and regardless of any disclosure to Angelica, Angelica shall not assume any liabilities, obligations or commitments of Seller relating to or arising out of the operation of the Business or the ownership of the Purchased Assets prior to the Closing other than the Assumed Liabilities.

III.

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller and Stockholder hereby jointly and severally represent and warrant to Angelica and agree both as of the date hereof and as of the Closing Date as follows:

3.1 Corporate Matters.

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of South Carolina. Seller has all requisite corporate power and authority to enter into this Agreement and all other agreements to be executed and delivered by Seller hereunder, to perform its obligations hereunder and thereunder, to consummate the transactions contemplated hereby and thereby, and has all requisite power and authority to own, operate and lease the Purchased Assets and to conduct the Business as and where such Business is now conducted.

(b) The Seller has delivered true, correct and complete copies of Seller's Articles of Incorporation and Bylaws, in each case as amended to and in force on the date hereof, and Schedule 3.01(b) hereto contains a true, correct and complete list of the officers and directors of Seller.

(c) Seller is qualified to do business as a foreign corporation and is in good standing in the jurisdictions specified in Schedule 3.01(c) hereto, and there is no other jurisdiction in which the nature and extent of Seller's Business or the Purchased Assets makes such qualification necessary.

(d) Seller has no subsidiaries and does not directly or indirectly control or own any interest in any corporation, partnership, joint venture, proprietorship or any other business entity.

3.2 Authorization.

(a) This Agreement and all other agreements, certificates and instruments contemplated hereby to be executed and delivered by Seller or Stockholder have been duly authorized by all necessary action by Seller and Stockholder, and no further approvals are required by the officers, directors or shareholders of Seller in

connection therewith. This Agreement has been duly executed and delivered by Seller and Stockholder and constitutes legal, valid and binding obligations of Seller and Stockholder enforceable against them in accordance with its terms. All other agreements, certificates and instruments contemplated by this Agreement to be executed and delivered by Seller or Stockholder have been or will be at or prior to the Closing duly executed and delivered by Seller and Stockholder, as the case may be, and constitute legal, valid and binding obligations of Seller and Stockholder, as the case may be, enforceable against each of them in accordance with their respective terms.

(b) Neither the execution, delivery or performance of this Agreement and all other agreements contemplated hereby nor the consummation of the transactions contemplated hereby or thereby nor compliance with the provisions hereof or thereof by Seller and Stockholder will, with or without the passage of time or the giving of notice, or both, (i) conflict with, constitute a breach, violation or termination of any provision of, or constitute a default under, any Contracts and Other Agreements to which Seller or Stockholder is a party or by which either of them is bound or to which any of either of their properties or assets is subject, (ii) result in an acceleration or increase of any amounts due from Stockholder or Seller to any person, (iii) conflict with or violate the Seller's Articles of Incorporation and Bylaws, (iv) result in the creation or imposition of any Lien (as defined in Section 3.04(g), below) against Seller or Stockholder or any of either of their properties or assets, or (v) violate any law, statute, ordinance, regulation, judgment, writ, injunction, rule, decree, order or any other restriction of any kind or character applicable to Seller or Stockholder or any of either of their properties or assets.

3.3 No Litigation.

(a) Except as set forth on Schedule 3.03, there is no action, suit, claim or legal, administrative, arbitration, condemnation or other proceeding or governmental investigation or examination or any change in any zoning or building ordinance affecting any of the assets of Seller or Stockholder, pending or threatened, or injunction or orders entered, pending or threatened, against Seller or Stockholder or any of either of their business, properties or assets, at law or in equity, before or by any federal, state, municipal or other governmental department, court, commission, board, bureau, agency or instrumentality, domestic or foreign, and there exists no basis for the commencement of any of the foregoing.

(b) Seller has not violated, and is not currently in violation of, any applicable federal, state, local or foreign law, ordinance (including any zoning or building ordinance), regulation, order, requirement, statute, rule, permit, concession, grant,

franchise, license or other governmental authorization relating or applicable to it, to any of the Purchased Assets or the Business.

3.4 Title to and Condition of Properties.

(a) Seller has good, marketable and indefeasible fee simple title to all of its real properties, including but not limited to the Real Property, all free and clear of Liens (as defined below), easements, restrictions and reservations except only for those matters set forth as existing Liens on Schedule 3.04(a). At Closing the Real Property shall be subject only to those Liens approved by Angelica (such matters hereinafter referred to as "Permitted Encumbrances"). The mechanical equipment located in any improvements located on any of the Real Property, including but not limited to air conditioning and heating systems and the electrical and plumbing systems, are in good, tenantable and serviceable operating condition requiring only normal maintenance and repair.

(b) Seller has good and indefeasible title to all Purchased Assets free and clear of all Liens. All of the Purchased Assets are in Seller's possession and control.

(c) The conduct of the Business in the ordinary course is not dependent upon the right to use the property of others, except under valid and binding agreements identified on Schedule 3.04(c) hereto (true, accurate and complete copies of which have previously been delivered to Angelica. The Real Property and the improvements located thereon do not encroach upon the property of others and there are no encroachments onto the Real Property from the property of others. The Purchased Assets include all utility connections, and the right to use the same, necessary for the conduct of the Business in the ordinary course and said utilities are available under public rights of way or easements benefiting the Real Property.

(d) Seller owns or has irrevocable rights to use and is transferring to Angelica hereunder all assets and property necessary for the conduct of the Business in the ordinary course.

(e) The Purchased Assets including, but not limited to, the machinery, equipment (including automobiles, trucks and heavy machinery), furniture and fixtures are in good operating condition and repair and of an appropriate character suitable for the uses for which intended in the operation of the Business in the ordinary course.

(f) All inventories of Seller are of a quality and quantity usable and salable in the ordinary course of the Business.

(g) As used in this Agreement, "Liens" shall mean any lien, pledge, claim,

charge, security interest or encumbrance of any nature whatsoever.

(h) The Accounts Receivable have arisen in the ordinary course of business, represent valid obligations owed to Seller and are recorded as accounts receivable on the books of Seller in accordance with generally accepted accounting principles consistently applied and said accounts receivable (billed and unbilled) of Seller will be fully paid in the ordinary course of Business and in any event within sixty (60) days after the due date thereof.

3.5 No Adverse Change. Except as set forth on Schedule 3.05, since _____, 20__, the Business has been operated only in the ordinary and normal course of business and there has not been any material adverse change in the financial condition, assets, liabilities, results of operations, business, prospects or condition, financial or otherwise, of Seller and there has been no occurrence, circumstance or combination thereof which might be expected to result in any such material adverse change before or after the Closing Date.

3.6 Customer Contracts. Substantially all Covered Accounts are serviced pursuant to written contracts. All contracts with Covered Accounts have been entered into in the ordinary course of business, are in full force and effect, are assignable without the consent of any such Covered Account or if consent is required, such consent will be obtained by Seller as of the Closing Date, and are enforceable in accordance with their terms. Seller is not in default with respect to any such contract and has not received from any Covered Account any notice of default or termination thereunder.

3.7 Employment Agreements. Seller is not a party to any current or former employment agreement or restrictive covenant agreement with any current or former employees involved in the Business (the "Business Employees").

3.8 Financial Records. The financial records of Seller which have previously been delivered to Angelica and are set forth in Schedule 3.08, present fairly the financial condition of Seller as of their respective dates and the results of its operations for the respective periods then ended and have been prepared in conformity with generally accepted accounting principles consistently applied throughout the respective periods. Except as set forth in Schedule 3.08, Seller has no material liabilities, absolute or contingent. Attached hereto in Schedule 3.08 are true, correct and complete copies of all reports or correspondence for such ____ year period from the auditors of Seller to the officers, directors, or management of Seller.

3.9 Books and Records. The books and records of accounts of Seller (i) are in all respects true, complete and correct, (ii) have been maintained in accordance with good business practices on a basis consistent with prior years, (iii) state in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets of Seller, and (iv) accurately and fairly reflect the basis for the financial statements referred to in Section 3.08 above.

3.10 Real Property. Schedule 1.01(k) contains the correct legal description, street address and

tax parcel identification numbers of all of the Real Property.

3.11 Merchandise Inventory. The items to be sold and purchased pursuant to Section 1.01(b) of this Agreement constitute sufficient stocks of circulating inventory to service the Covered Accounts in Seller's normal manner. The items of new merchandise to be transferred hereunder have never been laundered or used in any manner whatsoever and are in new condition.

3.12 No Broker's Fee. Seller has not incurred any obligation or liability for broker's or finder's fees with respect to the transaction contemplated hereby.

3.13 Updates to Representations and Warranties. The certificate described in Section 6.05 hereof shall contain any new or modified exceptions to Seller's representations and warranties. As of the Closing Date, any references to Exhibits or Schedules shall include the modifications and exceptions in such certificate.

3.14 Other Agreements. All agreements described in Schedule 1.01(h) were entered into in the ordinary course of business, are in full force and effect, and are assignable without the consent of the other party thereto, or if consent is required, such consent will be obtained by Seller prior to the Closing, and Seller has no knowledge that such agreements are not enforceable in accordance with their terms. Seller is not in default with respect to any such agreement and has not received any notice of default or termination thereunder.

3.15 Truth of Warranties and Representations. No representation or warranty of Seller contained in this Agreement, and no statement or information contained in any certificates or exhibits furnished to Angelica in connection with the transaction contemplated hereby, or in any other documents specifically required by this Agreement, contain any untrue statement of material fact or omit to state a material fact necessary to make the statements therein not false or misleading.

3.16 Tax Returns and Tax Audits.

(a) Seller has filed with the appropriate government agencies all tax or information returns and tax reports required to be filed.

(b) All federal, state, local, foreign, dominion and provincial income, profits, franchise, sales, use, occupation, property, excise or other taxes, whether or not yet due, have been fully paid or adequately provided for.

(c) There are no sales or use taxes or other taxes payable by Seller or Angelica as a result of the sale of the Purchased Assets and the Business to Angelica other than Federal, state and local income taxes.

3.17 Environmental Matters.

(a) Permits. All Environmental Permits (as defined below) are identified in Schedule 3.17(a), and Seller currently holds, and at all times has held, all such Environmental Permits necessary to the Business, and all such Environmental Permits shall be validly transferred to Angelica on the Closing Date. Seller has not been notified by any relevant Governmental Authority (as defined below) that any Environmental Permit will be modified, suspended, canceled or revoked, or cannot be renewed in the ordinary course of business.

(b) No Violations. Seller has complied and is in compliance in all material respects with all Environmental Permits and all applicable Environmental Laws (as defined below) pertaining to the Real Property (and the use, ownership or transferability thereof) and the Business. No Person (as defined below) has alleged any violation by Seller of any Environmental Permits or any applicable Environmental Law relating to the conduct of the Business or the use, ownership or transferability of the Real Property.

(c) No Actions. Seller has not caused or taken any action that has resulted or may result in, or has been or is subject to, any liability or obligation relating to (i) the environmental conditions on, under, or about the Real Property, the Purchased Assets or other properties or assets owned, leased or used by Seller held for use in connection with, necessary for the conduct of, or otherwise material to, the Business, or (ii) the past or present use, management, handling, transport, treatment, generation, storage or Release (as defined below) of any Hazardous Substances.

(d) Other. Except as set forth on Schedule 3.17(d):

(i) None of the current or past operations, or any by-product thereof, and none of the currently or formerly owned property or assets of Seller used in the Business, including without limitation the Purchased Assets and the Real Property, is related to or subject to any investigation or evaluation by any Governmental Authority, as to whether any Remedial Action (as defined below) is needed to respond to a Release or threatened Release of any Hazardous Substances.

(ii) Seller is not subject to any outstanding order, judgment, injunction, decree or writ from, or contractual or other obligation to or with, any Governmental Authority or other Person in respect of which Angelica may be required to incur any Environmental Liabilities and Costs (as defined below) arising from the Release or threatened Release of a Hazardous Substance.

(iii) The Real Property is not, and Seller has not transported or

arranged for transportation (directly or indirectly) of any Hazardous Substances relating to the Purchased Assets or the Real Property to any location that is, listed or proposed for listing under CERCLA (as defined below), or on any similar state list, or the subject of federal, state or local enforcement actions or investigations or Remedial Action.

(iv) No work, repair, construction or capital expenditure is required or planned in respect of the Purchased Assets pursuant to or to comply with any Environmental Law, nor has Seller received any notice of any such requirement.

(e) Full Disclosure. The Seller has disclosed and made available to Angelica all information, including without limitation all studies, analyses and test results, in the possession, custody or control of Seller relating to (i) the environmental conditions on, under or about the Real Property, and (ii) Hazardous Substances used, managed, handled, transported, treated, generated, stored or Released by Seller or any other Person at any time on any Real Property, or otherwise in connection with the use or operation of the properties or assets used in or held for use in connection with the Business.

(f) Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

(i) CERCLA shall mean the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. § 9601 et seq.

(ii) Environmental Laws shall mean all laws relating to the protection of the environment, to human health and safety, or to any emission, discharge, generation, processing, storage, holding, abatement, existence, Release, threatened Release or transportation of any Hazardous Substances, including, without limitation, (i) CERCLA, the Resource Conservation and Recovery Act and the Occupational Safety and Health Act, (ii) all other requirements pertaining to reporting, licensing, permitting, investigation or remediation of emissions, discharges, releases or threatened releases of Hazardous Materials into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, sale, treatment, receipt, storage, disposal, transport or handling of Hazardous Substances, and (iii) all other requirements pertaining to the protection of the health and safety of employees or the public.

(iii) Environmental Liabilities and Costs shall mean all losses, whether direct or indirect, known or unknown, current or potential, past, present or future, imposed by, under or pursuant to Environmental Laws, including, without limitation, all losses related to Remedial Actions, and all fees, disbursements and expenses of counsel, experts, personnel and consultants based on, arising out of or otherwise in respect of: (i) the ownership or operation of the Business, Real Property or any other real properties, assets, equipment or facilities, by Seller, or any of its predecessors; (ii) the environmental conditions existing on the Closing Date on, under, above, or about the Real Property or any other real properties, assets, equipment or facilities currently or previously owned, leased or operated by Seller, or any of its predecessors; and (iii) expenditures necessary to cause the Real Property or any aspect of the Business to be in compliance with any and all requirements of Environmental Laws as of the Closing Date, including, without limitation, all Environmental Permits issued under or pursuant to such Environmental Laws, and reasonably necessary to make full economic use of the Real Property.

(iv) Environmental Permits shall mean any federal, state or local permit, license, registration, consent, order, administrative consent order, certificate, approval or other authorization with respect to Seller necessary for the conduct of the Business as currently conducted or previously conducted under any Environmental Law.

(v) Governmental Authority shall mean any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any government authority, agency, department, board, commission or instrumentality of the United States, any State of the United States or any political subdivision thereof, and any tribunal or arbitrator(s) of competent jurisdiction, and any self-regulatory organization.

(vi) Hazardous Substances shall mean any substance that: (i) is or contains asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum or petroleum-derived substances or wastes, radon gas or related materials (ii) requires investigation, removal or remediation under any Environmental

Law, or is defined, listed or identified as a "hazardous waste" or "hazardous substance" thereunder, or (iii) is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is regulated by any Governmental Authority or Environmental Law.

(vii) Person shall mean any natural person, firm, partnership, association, corporation, company, trust, business trust, Governmental Authority or other entity.

(viii) Release shall mean any releasing, disposing, discharging, injecting, spilling, leaking, leaching, pumping, dumping, emitting, escaping, emptying, seeping, dispersal, migration, transporting, placing and the like, including without limitation, the moving of any materials through, into or upon, any land, soil, surface water, ground water or air, or otherwise entering into the environment.

(ix) Remedial Action shall mean all actions required to (i) clean up, remove, treat or in any other way remediate any Hazardous Substances; (ii) prevent the release of Hazardous Substances so that they do not migrate or endanger or threaten to endanger public health or welfare or the environment; or (iii) perform studies, investigations and care related to any such Hazardous Substances.

3.18 Employment Matters. As of the date hereof, Seller has approximately _____ employees. Seller has not had at any time during the last five (5) years, nor to the knowledge of Stockholder and Seller is there now threatened, any walkout, strike, picketing, work stoppage, work slowdown or any other similar occurrence relating to union activity which materially and adversely affects, or may materially and adversely affect, the Purchased Assets, the Business, or the operations or condition (financial or otherwise) of Seller, or of any attempt to organize or represent the labor force of Seller. Seller has complied in all material respects with all applicable laws, rules and regulations relating to the employment of labor, including those relating to wages, hours, collective bargaining and the payment and withholding of taxes, and Seller has withheld all amounts required by law or agreement to be withheld from the wages or salaries of its employees and Seller is not liable for any arrears of wages or other taxes or penalties for failure to comply with any of the foregoing. There are no material controversies pending or threatened between Seller and any of its employees or former employees. No union or other collective bargaining unit has been certified or recognized by Seller as representing any of its respective employees.

3.19 No Employee Benefit Plan. Seller does not maintain and has not maintained any Employee Plan. For purposes of this Agreement, Employee Plan shall mean any "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security

Act of 1974, as amended ("ERISA"), including, without limitation, multiemployer plans within the meaning of ERISA Section 3(37)), and all stock purchase, stock option, severance, employment, change-in-control, fringe benefit, collective bargaining, bonus, incentive, deferred compensation and all other employee benefit plans, agreements, programs, policies or other arrangements, whether or not subject to ERISA (including any funding mechanism therefor now in effect or required in the future as a result of the transaction contemplated by this Agreement or otherwise), whether formal or informal, oral or written, under which any employee or former employee of the Company (the "Company Employees") has any present or future right to benefits sponsored or maintained by the Company or under which the Company has had or has any present or future liability.

3.20 Bankruptcy Filing. No statement or information contained in any filing made by or on behalf of Seller or Stockholder with the Bankruptcy Court or prepared in connection with any such filing contain any untrue statement of fact or omit to state a fact necessary to make the statements therein not false or misleading.

IV.

REPRESENTATIONS AND WARRANTIES OF ANGELICA

Angelica represents and warrants as follows:

4.1 Corporate.

(a) Angelica is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New York. Angelica has all requisite corporate power and authority to enter into this Agreement and all other agreements to be executed and delivered by Angelica hereunder, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

(b) This Agreement and all other agreements contemplated to be executed and delivered by Angelica have been duly authorized by all necessary corporate action and no further approvals are required by the officers, directors or shareholders of Angelica in connection therewith. This Agreement has been duly executed and delivered by Angelica and constitutes legal, valid and binding obligations of Angelica enforceable against Angelica in accordance with its terms. All other agreements, certificates and instruments contemplated by this Agreement to be executed and delivered by Angelica have been or will be, at or prior to the Closing, duly executed and delivered by Angelica and constitute legal, valid and binding obligations of Angelica enforceable in accordance with their terms against Angelica.

(c) Neither the execution, delivery or performance of this Agreement and all

other agreements contemplated hereby nor the consummation of the transactions contemplated hereby or thereby nor compliance with the provisions hereof or thereof by Angelica will, with or without the passage of time or the giving of notice, or both, (i) conflict with or violate Angelica's Articles of Incorporation or Bylaws, or (ii) violate any law, statute, ordinance, regulation, judgment, writ, injunction, rule, decree, order or any other restriction of any kind or character applicable to Angelica or any of its properties or assets.

4.2 No Adverse Action. There are no actions, suits, claims or legal, administrative, arbitration or other proceedings or governmental investigations or examinations pending or threatened or injunctions or orders entered, pending or threatened against Angelica or its business, property or assets, at law or in equity, before or by any federal, state, municipal or other governmental department, court, commission, board, bureau, agency or instrumentality, domestic or foreign, to restrain or prohibit the consummation of the transactions contemplated hereby or to obtain damages which if decided adversely would adversely affect the ability of Angelica to consummate the transactions provided for in this Agreement.

4.3 No Broker's Fee. Angelica has not incurred any obligation or liability for broker's or finder's fees with respect to the transactions contemplated hereby.

V.

RIGHTS AND OBLIGATIONS PENDING THE CLOSING

During the period commencing on the date hereof and ending on the Closing Date:

5.1 Access to Property and Information. Seller shall give to Angelica, its representatives, auditors, and attorneys, full access, during normal business hours, to the Facility where the Business is conducted and to the books, records, contracts, and documents pertaining to the Business and the Purchased Assets.

5.2 Ordinary Course of Business. Seller shall carry on its business diligently and substantially in the normal course of business and Seller shall not make or institute any unusual or novel methods of purchase, sale, management, accounting or operation, except with the prior written consent of Angelica. Seller shall not enter into any contract or commitment to purchase or sell any equipment or machinery, capital assets or other assets (other than inventory) or engage in any transaction not in the usual and ordinary course of business without the prior written consent of Angelica.

5.3 Payment of Liabilities. Seller shall pay or otherwise satisfy in the ordinary course of business all of its Liabilities (as defined below) and obligations. For purposes of this Agreement, Liabilities shall mean with respect to any person, any liability or obligation of such person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or

several, due or to become due, vested or unvested, executory, determined, determinable, or otherwise, and whether or not the same is required to be accrued on the financial statements of such person.

5.4 Facilitation of Transition. Seller will take steps which are reasonably necessary and appropriate prior to the Closing to allow Angelica to commence serving the Covered Accounts on the Closing Date.

5.5 Preservation of Organization. Seller shall use its best efforts to preserve Seller's business organization intact, to keep available to Buyer the present employees of Seller and to preserve for Buyer the present relationships of Seller with its suppliers, distributors and customers and others having business relations with it. Seller will not amend its Articles of Incorporation or Bylaws or make any changes in authorized or issued capital stock.

5.6 Use of Property. All tangible property of Seller will be used, operated, maintained and repaired in a careful and efficient manner.

5.7 No Default. Seller shall not act or omit to do any act, or permit any act or omission to act, which will cause a breach of any contract, commitment or obligation.

5.8 Insurance. Seller shall maintain in full force and effect all of its insurance presently in effect.

5.9 Public Disclosure. Neither Seller nor Angelica shall make any press release or other public disclosure of this Agreement or the transaction contemplated hereby without the prior approval of the other party.

5.10 Title Examination and Objections. Seller shall deliver to Angelica, within five (5) days from the date hereof, a title examination report on the Real Property, and Angelica shall, within fourteen (14) days after such delivery, furnish to Seller notice in writing of any objections thereto. Should the title examination reveal any objection to Seller's title, other than the Permitted Encumbrances, as defined herein, Seller shall have ten (10) days after notice thereof from Angelica in which to cure such objections, provided, however, the failure by Seller to cure any title objection shall not constitute an event of default by Seller hereunder. If Seller shall fail to cure any such objection, Angelica may either: (a) accept the Real Property with such remaining objections; or (b) terminate this Agreement. Angelica may elect (a) or (b) above by written notice to Seller on or prior to the Closing Date.

5.11 Inspection of the Real Property by Angelica. Prior to the Closing Date, or any earlier date on which this Agreement is terminated pursuant to the terms and conditions hereof, Angelica and Angelica's agents and designees shall have the right to enter the Real Property at reasonable times for the purposes of inspecting the Real Property and making such surveys, soil tests, engineering studies, and other investigations and inspections as Angelica may reasonably desire to assess the characteristics and condition of the Real Property. Such activities of Angelica on

the Real Property shall not damage the Real Property in any material manner, and Angelica shall indemnify and hold Seller harmless from and against any and all liabilities, damages, losses, costs, and expenses (including reasonable attorney's fees) suffered, incurred, or sustained by Seller as a result of the entry by Angelica or Angelica's agents and designees onto the Real Property or the activities of such parties on the Real Property. In addition, such activities will not unreasonably interfere with Seller's normal business operations on the Real Property.

VI.

CONDITIONS PRECEDENT TO ANGELICA'S OBLIGATIONS

Each and every obligation of Angelica to be performed under this Agreement on or before the Closing Date shall, at the option of Angelica, be subject to the satisfaction prior thereto of the following conditions:

6.1 Representations and Warranties of Seller. The representations and warranties made by Seller in or pursuant to this Agreement, as modified pursuant to Section 3.13 hereof, shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made or given on and as of the Closing Date.

6.2 Obligations of Seller. Seller and Stockholder shall have performed and complied in all material respects with all of their obligations under this Agreement which are to be performed or complied with by it prior to or on the Closing Date.

6.3 No Injunction or Proceeding. At the Closing Date: (a) there shall be no effective injunction, restraining order, or order of any nature issued by any court of competent jurisdiction which directs or has the effect of directing that this Agreement or any material transactions contemplated hereby shall not be consummated as herein provided; (b) there shall be no investigation, action, or other proceeding pending before any court or governmental authority or threatened against Seller or Angelica, or any of the directors or officers of Seller or Angelica, in connection with this Agreement or the consummation of the transactions contemplated by this Agreement, which is likely, in the reasonable opinion of Angelica's counsel (after consideration of any defense), to result in such substantial damages or other substantial relief being obtained, as to materially and adversely affect the Business on or after the Closing Date; and (c) none of the parties hereto shall have received from any governmental authority any notice (oral or written) of any potential litigation, civil, criminal, or administrative, against Seller or Angelica for a violation alleged to arise out of the consummation of the transactions contemplated hereby.

6.4 No Material Change. There shall have been no material adverse change in the Purchased Assets or the Business and Seller shall not have suffered any substantial loss or damage to its properties or assets that would materially affect or impair the conduct of the Business.

6.5 Certificate of Seller. Seller shall have delivered to Angelica its certificate certifying in such detail as Angelica may reasonably specify the fulfillment of the conditions set forth in

Sections 6.01, 6.02, 6.03, and 6.04 hereof.

6.6 Assignment of Contracts. Seller shall have delivered to Angelica a written consent or assurance executed by each party to each of the contracts listed on Schedule 6.06 to (i) the assignment of such contracts from Seller to Angelica and (ii) the continued performance of the Seller's obligations under such contracts by Angelica. Any written consent or assurance delivered by Seller to Angelica under this Section 6.06 shall be in a form acceptable to Angelica and its legal counsel.

6.7 Approval of the Bankruptcy Court. Seller shall have filed the Sale Motion with the Bankruptcy Court. The Bankruptcy Court shall have entered an order, in form and substance reasonably acceptable to Angelica, approving the Sale Motion and authorizing and directing Seller to enter into this Agreement.

6.8 Removal of Manufactured Home. Seller shall have removed the manufactured home located on the Real Property and such removal shall not have caused any damage or other adverse effect to the Real Property, the Purchased Assets or the Business.

6.9 Removal of Other Personal Property. Seller shall have removed all fixtures, equipment and other personalty that is located at the Facility or upon the Real Property that is not used in the Business, including, but not limited to, any equipment used solely in connection with Seller's dry cleaning business and any stored goods owned by dry cleaning customers. Such removal shall not have caused any damage or other adverse effect to the Real Property, the Purchased Assets or the Business.

VII.

CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS

Each and every obligation of Seller to be performed under this Agreement on or before the Closing Date shall, at the option of Seller, be subject to the satisfaction prior thereto of the following conditions:

7.1 Representations and Warranties of Angelica. The representations and warranties made by Angelica in or pursuant to this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made or given on and as of the Closing Date.

7.2 Obligations of Angelica. Angelica shall have performed and complied in all material respects with all of its obligations under this Agreement which are to be performed or complied with by it prior to or on the Closing Date.

7.3 No Injunction or Proceeding. At the Closing Date: (a) there shall be no effective injunction, restraining order, or order of any nature issued by any court of competent jurisdiction

which directs or has the effect of directing that this Agreement or any material transactions contemplated hereby shall not be consummated as herein provided; and (b) none of the parties hereto shall have received from any governmental authority any notice (oral or written) of any potential litigation, civil, criminal, or administrative, against Seller or Angelica for a violation alleged to arise out of the consummation of the transactions contemplated hereby.

7.4 Certificate of Angelica. Angelica shall have delivered to Seller a certificate certifying in such detail as Seller may reasonably specify the fulfillment of the conditions set forth in Sections 7.01, 7.02, and 7.03 hereof.

VIII. COVENANTS AND AGREEMENTS

The parties hereto covenant and agree as follows:

8.1 Enforcement of Restrictive Covenants by Seller. If so requested by Angelica at any time following the date hereof, whether before or after the Closing Date, Seller will cooperate with Angelica in enforcing any restrictive covenants entered into between Seller and its former or current Business Employees if said Business Employees conduct themselves in such a manner which, in the opinion of Angelica, violates said covenants. All expenses, including reasonable attorney's fees, incurred by Seller in connection therewith shall be borne by Angelica.

8.2 Restrictive Covenants.

(a) For a period of five (5) years after the Closing hereunder, neither Seller nor Stockholder will (i) engage in or in any way, directly or indirectly, own, manage, operate, control or otherwise advise or assist or be actively connected with, directly or indirectly, any enterprise which engages in, or otherwise carries on, any business activity which is in competition with the current Business of Seller or any related business in which Angelica contemplates engaging in any location that is within two hundred fifty (250) miles of any facility owned or operated by Angelica or by any affiliate of Angelica or (ii) divert or attempt to divert clients, customers (whether or not such persons have done business with Seller once or more than once) or accounts of Seller (prior to the Closing Date), or of Angelica or any affiliate of Angelica (after the Closing Date); or (iii) entice or induce or in any manner influence any person who is or shall be in the employ or service of Seller prior to the Closing Date and whom Angelica or any affiliate of Angelica intends to employ to leave or not accept or continue in such employment.

(b) Neither Seller nor Stockholder will for a period of five (5) years after the Closing disclose any confidential information and will not at any time after the Closing disclose any trade secrets to any person, persons, partnership, or

corporation (except Angelica), which confidential information and trade secrets relate to the Business or Purchased Assets, including, without limitation, the identity of, prices charged to, or business done with any Covered Account as of the Closing Date, except in response to a request of a governmental agency or pursuant to court order or as otherwise required by law.

(c) Because the breach or anticipated breach of the restrictive covenant provided for in this Section 8.02 will result in immediate and irreparable harm and injury to Angelica, for which it will not have an adequate remedy at law, Seller and Stockholder agree that Angelica shall be entitled to relief in equity to temporarily and/or permanently enjoin such breach or anticipated breach and to seek any and all other legal and equitable remedies to which Angelica may be entitled.

(d) It is expressly understood and agreed that although Seller, Stockholder and Angelica consider the restrictions contained in this Section 8.02 to be reasonable in the context in which made, if a final judicial determination is made that the time, territory, scope or any other restriction contained in this Section 8.02 is unreasonable or otherwise unenforceable, neither this Agreement nor the provisions of this Section 8.02 shall be rendered void, but shall be deemed amended to apply as to such maximum scope, time and territory and to such other extent as such court may judicially determine or indicate to be reasonable, or if such court does not so determine or indicate, to the maximum extent which any pertinent statute or judicial decision may indicate to be a reasonable restriction under the circumstances involved, and as so modified, the restrictions contained in this Section 8.02 shall be binding and enforceable.

8.3 Transition After the Closing. For a period of sixty (60) days following the Closing Date, Seller will take all reasonable steps to assist Angelica in retaining the Covered Accounts as part of Angelica's business including, but not limited to, assistance in retaining the Business Employees and in retaining a relationship in good standing with any vendors or other suppliers with which Seller does business, and will cooperate with Angelica in the transfer of the Business in order to minimize disruption in the servicing of the Covered Accounts and to effect the orderly transfer of the Purchased Assets.

8.4 Phone Number. After the Closing Date, Seller will allow Angelica to use the phone number which Seller used prior to the Closing Date in connection with the operation of the Business.

8.5 Angelica's Employment of Business Employees.

(a) Seller acknowledges and agrees that Angelica may, in Angelica's sole and exclusive discretion, seek to employ, from and after the Closing, any personnel previously employed by Seller who was engaged in the operation of the Business,

and Seller will raise no objection to Angelica's soliciting such persons for employment.

(b) The parties expressly agree that Angelica will in no way be responsible or obligated under any Employee Plan of Seller or any other plan in which Seller participates, including, but not limited to, past or future contribution liability, withdrawal liability, or partial withdrawal liability under the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), the Multi-Employer Pension Plan Amendments Act of 1980, as amended, or any other Federal, state, or local law.

(c) Seller shall remain responsible for payment of any compensation, benefit or other payment to any employee of Seller arising prior to the Closing Date, whether due prior to or after the Closing Date including, but not limited to, vacation and sick days.

8.6 Post-Closing Remissions. Following the Closing Date, Seller shall promptly remit to Angelica, or reimburse Angelica for, all amounts and endorse or remit to Angelica the proceeds of all checks, drafts, notes, or other documents, received by Seller, that should have otherwise been paid to Angelica. Similarly, following the Closing Date, Angelica shall promptly remit to Seller, or reimburse Seller for, all amounts, and endorse or remit to Seller the proceeds of all checks, drafts, notes, or other documents, received by Angelica, that should have otherwise been paid to Seller.

8.7 Survival of Covenants, Agreements, Representations and Warranties. All representations, warranties, covenants and agreements made by the parties each to the other in this Agreement or pursuant hereto in any certificate, instrument or document shall survive the consummation of the transactions contemplated by this Agreement, and may be fully and completely relied upon by Angelica, Seller and Stockholder, as the case may be notwithstanding any investigation heretofore or hereafter made by such party or on behalf of any of them, and shall not be deemed merged into any instruments or agreements delivered at Closing.

8.8 Non-Assignable Contracts. This Agreement and any document delivered hereunder shall not constitute an assignment or an attempted assignment of any right contemplated to be assigned to Angelica hereunder:

(a) which is not assignable without the consent of a third party if such consent has not been obtained and such assignment or attempted assignment would constitute a breach thereof; or

(b) if the remedies for the enforcement or any other particular provisions thereof available to Seller would not pass to Angelica.

Stockholder and Seller shall use all efforts to obtain such consents of third parties as may

be necessary for the assignment of such right. To the extent that any of the foregoing items are not assignable by the terms thereof or where consents to the assignment thereof cannot be obtained as herein provided, Seller shall, at the Closing, assign to Angelica the full benefit thereof (which shall be deemed to be part of the Purchased Assets) and grant to Angelica an irrevocable power of attorney to perform Seller's covenants and obligations thereunder in respect of the period after the Closing Date, and to enforce Seller's rights thereunder in the name of Seller but for the benefit of Angelica. Seller shall take or cause to be taken such action in its name or otherwise as Angelica may require so as to provide Angelica with the benefits thereof and to effect collection of money or other consideration to become due and payable under such items and Seller shall promptly pay over to Angelica money received by Seller in respect of all of the foregoing items.

IX.

TERMINATION AND ABANDONMENT; ENFORCEMENT

9.1 Grounds for Termination. This Agreement may be terminated and abandoned upon prompt written notice to the other party:

- (a) By mutual consent of Seller and Angelica on or before the Closing Date;
- (b) By Angelica, if any of the conditions provided for in Article VI of this Agreement have not been met or performed and have not been waived in writing by Angelica prior to the Closing Date;
- (c) By Seller, if any of the conditions provided for in Article VII of this Agreement have not been met or performed and have not been waived in writing by Seller prior to the Closing Date; or
- (d) By Angelica, if the Closing has not occurred on or before [], 2002.

9.2 Consequences of Termination. Each party's right of termination under Section 9.01 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of such right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 9.01, all obligations of the parties under this Agreement will terminate, except that the obligations of the parties in this Section 9.02 and Sections 11.02 and 11.03 will survive, provided, however, that, if this Agreement is terminated pursuant to Section 9.01(b) or (c), the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

X.

INDEMNIFICATION BY SELLER AND STOCKHOLDER

10.1 Indemnification and Hold Harmless. Seller and Stockholder jointly and severally agree that, in the event any debt, claim, loss, damage, expense, liability, or obligation, whether fixed or contingent, whether matured or unmatured, and whether fixed as to amount, except as may have been expressly assumed in writing by Angelica (collectively referred to in this Section as "Claim"), that results from any misrepresentation or breach by Seller or Stockholder of any covenant, warranty or agreement made by Seller or Stockholder in this Agreement or any document delivered pursuant to this Agreement, provided, that Angelica notifies Seller or Stockholder in writing not more than three (3) years after the Closing Date, Seller and Stockholder jointly and severally agree to indemnify and hold Angelica and its successors and assigns free and harmless of all loss, damage and expense (including, without limitation, reasonable interest and attorneys' fees) which Angelica or its successors or assigns may sustain by reason thereof; provided, however, no Claim will be asserted by Angelica, and neither Seller nor Stockholder will have liability for Claims under this paragraph until and unless the dollar value of all such Claims exceed the sum of \$5,000 in the aggregate ("Level of Materiality"); provided further, however, that in the event the Level of Materiality is met, the Claims covered by this paragraph will include all those in excess of zero dollars. The matters giving rise to Angelica's right to indemnification hereunder are hereinafter referred to as "Angelica Claims."

10.2 Reimbursement. Seller and Stockholder jointly and severally agree to reimburse Angelica, on demand, for any payment made by or loss or damage incurred by Angelica at any time after the date hereof in respect of any Angelica Claim to which the foregoing indemnity relates; provided, however, that within a reasonable time after Angelica receives notice of such Angelica Claim and before Angelica makes any such payment, it must notify Seller or Stockholder of such Angelica Claim, but the omission to so notify Seller or Stockholder shall not release Seller or Stockholder from any liability which Seller or Stockholder has or may have to Angelica except to the extent Seller or Stockholder actually has been prejudiced by such failure to give notice. In the event of such notice, Seller or Stockholder shall be entitled to participate in and to assume the defense of any action, with counsel reasonably satisfactory to Angelica, if Seller or Stockholder promptly notifies Angelica of its intention to do so and keeps Angelica fully informed as to all matters relating to the defense and settlement of such action. Seller or Stockholder shall in no case settle or compromise an Angelica Claim or consent to the entry of judgment, in either case other than solely for money damages, without the prior written consent of Angelica (which consent shall not be unreasonably withheld or delayed) if such settlement, compromise or judgment would adversely affect the rights of Angelica in any continuing manner.

10.3 Right of Setoff. Upon notice to Seller specifying in reasonable detail the basis therefor, Angelica may setoff any amount to which it may be entitled under this Article X against the amount otherwise payable to Seller by Angelica pursuant to Section 2.02(b). The exercise of such right of setoff by Angelica in good faith, whether or not ultimately determined to be justified, will not constitute a breach of any term of this Agreement. Neither the exercise of nor the failure to exercise such right of setoff will constitute an election of remedies or limit Angelica in any manner in the enforcement of any other remedies that may be available to it.

XI.
MISCELLANEOUS

11.1 Cooperation and Best Efforts. The parties hereto will fully cooperate with each other and their respective counsel and accountants in connection with all steps to be taken as part of their obligations under this Agreement. Seller, Stockholder and Angelica will use their best efforts to cause the conditions to the other party's obligation to close to be fulfilled on or prior to the Closing Date.

11.2 Confidential Information. Prior to consummation of the transaction contemplated by this Agreement or termination of this Agreement, the parties to this Agreement will be providing one another with information which is protected, secret, non-public, or proprietary in nature ("confidential information"). Each party agrees to hold confidential, to protect, and not to disclose except on a need-to-know basis (with instructions that such information is confidential information) to its directors, officers, employees, agents, financial advisors, and legal counsel, all confidential information provided to it by the other party to this Agreement; provided, however, that for purposes of this Section 11.02 confidential information shall not include information that (a) was known to such party prior to the disclosure by the other party; (b) is or becomes generally available to the public other than by breach of this Agreement; or (c) otherwise becomes lawfully available to a party to this Agreement on a nonconfidential basis from a third party who is not, to the best of the knowledge of such party to this Agreement, under an obligation of confidence to the other party or parties of this Agreement. If this Agreement is terminated prior to consummation of the transaction contemplated, then each party shall return all copies of the documents and other material, whether or not confidential, provided to it pursuant to this Agreement by or on behalf of the other party to this Agreement and shall destroy all copies of any other documents prepared by such party which reflect the confidential information. The foregoing obligations of confidentiality and non-disclosure shall be in effect for a period of two (2) years beyond such termination. During such period, neither party shall use any of the confidential information received from the other party to the detriment of the other party. The parties shall continue to compete in the ordinary course while this Agreement is pending and after any termination of this Agreement prior to the consummation of the transaction contemplated hereunder.

11.3 Taxes and Other Expenses. Ad valorem taxes levied on the Purchased Assets for the calendar year during which the Closing occurs and utilities for the billing period in which the Closing occurs, unless arrangements are made with utility companies to transfer utilities to Angelica on the Closing Date, will be prorated as of the Closing Date. If the actual taxes for such calendar year are not known on the Closing Date, the proration for such taxes shall be based upon the actual taxes for the immediately preceding calendar year. If the actual utilities for such billing period are not known on the Closing Date, the proration for such utilities shall be based upon the amounts accrued by Seller for such utilities in accordance with generally accepted accounting principles. Angelica and Seller will adjust the prorations at such time as the actual

taxes and utilities described above are billed. Seller will pay for the real estate transfer tax or documentary stamps pertaining to the transfer of the Real Property, the survey of the Real Property, and the title examination of the Real Property. Angelica will pay for recording fees, title insurance, and any sales tax payable as a result of the sale of the Purchased Assets hereunder. Otherwise, Seller and Angelica shall each pay their respective costs and expenses, including attorney's fees, incurred by them or for their benefit in connection with the negotiation, preparation, consummation, and performance of this Agreement and the transactions contemplated hereby.

11.4 Assignment. This Agreement and any right hereunder may not be assigned by the parties hereto prior to the Closing. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and, in the case of an assignment after Closing, their assigns.

11.5 Entire Agreement. The Exhibits and Schedules referred to herein and attached hereto are incorporated herein by reference. This Agreement, including said Exhibits and Schedules, constitutes the entire understanding and agreement of the parties hereto and supersedes all other prior agreements and understandings, written or oral, between the parties with respect to the subject matter hereof.

11.6 Further Documentation. The parties hereto will at the Closing or any time thereafter deliver and/or execute such further instruments as may reasonably be requested by the other party which are necessary to or appropriate with respect to the consummation of the transactions contemplated by this Agreement. None of the documents or instruments requested hereunder shall contain an undertaking or representation not contained in this Agreement or be inconsistent with the understandings and representations contained in this Agreement.

11.7 Notices. All notices, waivers and other communications provided for in this Agreement shall be in writing and sent to the address for the recipient party set forth below or to such other address as such party has theretofore furnished in writing to the other party sending such notice:

IF TO ANGELICA:

Angelica Textile Services, Inc.
655 Engineering Drive, Suite 370
Norcross, Georgia 30092
Attn: Vice President, Business Development

with a copy to:

Angelica Corporation
424 South Woods Mill Road
Chesterfield, Missouri 63017
Attn: General Counsel

IF TO SELLER:

Palmetto Linen Service, Inc.
1413 W. Darlington Street
Florence, South Carolina 29503
Attn: John Capotosti

with a copy to:

John Capotosti

and

George G. Reaves, Esq.
152 South McQueen Street
Florence, South Carolina 29502

IF TO STOCKHOLDER:

John Capotosti

Any such notice shall be effective: upon delivery, if personally delivered; on the date of receipt, if sent by facsimile; on the next business day following deposit, if deposited with a national, overnight delivery, guaranteed delivery service, such as Federal Express or Airborne, with all charges prepaid; or three (3) days after mailing, if mailed by certified mail, return receipt requested, with all postage prepaid.

11.8 Headings. The headings of the articles and sections of this Agreement are inserted for convenience only and shall not constitute a part hereof.

11.9 Governing Law. This Agreement shall be construed and interpreted according to the laws of the State of Missouri.

11.10 Waivers. There can be no waiver of any term, provision, or condition of this Agreement which is not in writing signed by the party against whom the waiver is sought to be enforced.

11.11 Time. Time is and shall be of the essence of this Agreement.

11.12 Execution of Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.13 Amendments. Any and all amendments and modifications of this Agreement must be in a writing signed by all parties hereto.

11.14 Invalidity of Provision. The invalidity or illegality of any provision in this Agreement which is not sought to be implemented is not intended by the parties to be considered if relief pursuant to another provision is sought.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the date and year first above written.

ATTEST:

PALMETTO LINEN SERVICES, INC.

Witness

By:
Name:
Title:

"Seller"

John Capotosti

_____ Capotosti

"Stockholder"

ATTEST:

ANGELICA TEXTILE SERVICES, INC.

Witness

By:
Name:
Title: